

AMENDED IN ASSEMBLY APRIL 23, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

**ASSEMBLY BILL**

**No. 964**

**Introduced by Assembly Member Frommer**

February 20, 2003

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An act to amend Sections 2982, 2982.5, and 2985.8 of the Civil Code, relating to vehicle contracts.

LEGISLATIVE COUNSEL'S DIGEST

AB 964, as amended, Frommer. Vehicle sale and lease contracts: disclosures.

(1) Existing law requires every conditional sale contract of a motor vehicle to contain specified disclosures.

This bill would require those contracts to include a disclosure of the amount of any optional business partnership automation program fee to register or transfer a vehicle. The bill would also require disclosure of any charge for an optional debt cancellation agreement. The bill would also make related, conforming changes.

(2) Existing law requires every lease contract for a motor vehicle to contain specified disclosures.

This bill would require every lease contract to disclose the amount of any optional business partnership automation program to register or transfer a vehicle. The bill would also make technical, nonsubstantive changes to those provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 2982 of the Civil Code is amended to read:

2982. Every conditional sale contract subject to this chapter shall contain the disclosures required by Regulation Z, whether or not Regulation Z applies to the transaction. In addition, to the extent applicable, the contract shall contain the other disclosures and notices required by, and shall satisfy the requirements and limitations of, this section. The disclosures required by subdivision (a) may be itemized or subtotaled to a greater extent than as required by that subdivision and shall be made together and in the sequence set forth in that subdivision. All other disclosures and notices may appear in the contract in any location or sequence and may be combined or interspersed with other provisions of the contract.

(a) The contract shall contain the following disclosures, as applicable, which shall be labeled “itemization of the amount financed”:

(1) (A) The cash price, exclusive of document preparation fees, taxes imposed on the sale, pollution control certification fees, prior credit or lease balance on property being traded in, and the amount charged for a service contract.

(B) The fee to be retained by the seller for document preparation.

(C) The fee charged by the seller for certifying that the motor vehicle complies with applicable pollution control requirements.

(D) Taxes imposed on the sale.

(E) The amount of any optional business partnership automation fee to register or transfer the vehicle, *which shall be labeled “Optional DMV Electronic Filing Fee”*.

(F) The amount charged for a service contract.

(G) The prior credit or lease balance remaining on property being traded in, as required by paragraph (6). The disclosure required by this subparagraph shall be labeled “prior credit or lease balance (see downpayment and trade-in calculation).”

(H) Any charge for an optional debt cancellation agreement.

(I) The total cash price, which is the sum of subparagraphs (A) to (H), inclusive.

(2) Amounts paid to public officials for the following:

1 (A) Vehicle license fees.

2 (B) Registration, transfer, and titling fees.

3 (C) California tire fees imposed pursuant to Section 42885 of  
4 the Public Resources Code.

5 (3) The aggregate amount of premiums agreed, upon execution  
6 of the contract, to be paid for policies of insurance included in the  
7 contract, excluding the amount of any insurance premium  
8 included in the finance charge.

9 (4) The amount of the state fee for issuance of a certificate of  
10 compliance, noncompliance, exemption, or waiver pursuant to  
11 any applicable pollution control statute.

12 (5) A subtotal representing the sum of the foregoing items.

13 (6) The amount of the buyer's downpayment itemized to show  
14 the following:

15 (A) The agreed value of the property being traded in.

16 (B) The prior credit or lease balance, if any, owing on the  
17 property being traded in.

18 (C) The net agreed value of the property being traded in, which  
19 is the difference between the amounts disclosed in subparagraphs  
20 (A) and (B). If the prior credit or lease balance of the property  
21 being traded in exceeds the agreed value of the property, a negative  
22 number shall be stated.

23 (D) The amount of any portion of the downpayment to be  
24 deferred until not later than the due date of the second regularly  
25 scheduled installment under the contract and which is not subject  
26 to a finance charge.

27 (E) The amount of any manufacturer's rebate applied or to be  
28 applied to the downpayment.

29 (F) The remaining amount paid or to be paid by the buyer as a  
30 downpayment.

31 (G) The total downpayment. If the sum of subparagraphs (C)  
32 to (F), inclusive, is zero or more, that sum shall be stated as the total  
33 downpayment and no amount shall be stated as the prior credit or  
34 lease balance under subparagraph (G) of paragraph (1). If the sum  
35 of subparagraphs (C) to (F), inclusive, is less than zero, then that  
36 sum, expressed as a positive number, shall be stated as the prior  
37 credit or lease balance under subparagraph (G) of paragraph (1),  
38 and zero shall be stated as the total downpayment. The disclosure  
39 required by this subparagraph shall be labeled "total  
40 downpayment" and shall contain a descriptor indicating that if the

1 total downpayment is a negative number, a zero shall be disclosed  
2 as the total downpayment and a reference made that the remainder  
3 shall be included in the disclosure required pursuant to  
4 subparagraph (G) of paragraph (1).

5 (7) The amount of any administrative finance charge, labeled  
6 “prepaid finance charge.”

7 (8) The difference between item (5) and the sum of items (6)  
8 and (7), labeled “amount financed.”

9 (b) No particular terminology is required to disclose the items  
10 set forth in subdivision (a) except as expressly provided in that  
11 subdivision.

12 (c) If payment of all or a portion of the downpayment is to be  
13 deferred, the deferred payment shall be reflected in the payment  
14 schedule disclosed pursuant to Regulation Z.

15 (d) If the downpayment includes property being traded in, the  
16 contract shall contain a brief description of that property.

17 (e) The contract shall contain the names and addresses of all  
18 persons to whom the notice required under Section 2983.2 and  
19 permitted under Sections 2983.5 and 2984 is to be sent.

20 (f) (1) If the contract includes a finance charge determined on  
21 the precomputed basis, the contract shall identify the method of  
22 computing the unearned portion of the finance charge in the event  
23 of prepayment in full of the buyer’s obligation and contain a  
24 statement of the amount or method of computation of any charge  
25 that may be deducted from the amount of any unearned finance  
26 charge in computing the amount that will be credited to the  
27 obligation or refunded to the buyer. The method of computing the  
28 unearned portion of the finance charge shall be sufficiently  
29 identified with a reference to the actuarial method if the  
30 computation will be under that method. The method of computing  
31 the unearned portion of the finance charge shall be sufficiently  
32 identified with a reference to the Rule of 78’s, the sum of the digits,  
33 or the sum of the periodic time balances method in all other cases,  
34 and those references shall be deemed to be equivalent for  
35 disclosure purposes.

36 (2) If the contract includes a finance charge which is  
37 determined on the simple-interest basis but provides for a  
38 minimum finance charge in the event of prepayment in full, the  
39 contract shall contain a statement of that fact and the amount of the  
40 minimum finance charge or its method of calculation.

1 (g) (1) If the contract includes a finance charge which is  
2 determined on the precomputed basis and provides that the  
3 unearned portion of the finance charge to be refunded upon full  
4 prepayment of the contract is to be determined by a method other  
5 than actuarial, the contract shall contain a notice, in at least  
6 10-point boldface type if the contract is printed, reading as  
7 follows: "Notice to buyer: (1) Do not sign this agreement before  
8 you read it or if it contains any blank spaces to be filled in. (2) You  
9 are entitled to a completely filled-in copy of this agreement. (3)  
10 You can prepay the full amount due under this agreement at any  
11 time and obtain a partial refund of the finance charge if it is \$1 or  
12 more. Because of the way the amount of this refund will be figured,  
13 the time when you prepay could increase the ultimate cost of credit  
14 under this agreement. (4) If you default in the performance of your  
15 obligations under this agreement, the vehicle may be repossessed  
16 and you may be subject to suit and liability for the unpaid  
17 indebtedness evidenced by this agreement."

18 (2) If the contract includes a finance charge which is  
19 determined on the precomputed basis and provides for the  
20 actuarial method for computing the unearned portion of the  
21 finance charge upon prepayment in full, the contract shall contain  
22 a notice, in at least 10-point boldface type if the contract is printed,  
23 reading as follows: "Notice to buyer: (1) Do not sign this  
24 agreement before you read it or if it contains any blank spaces to  
25 be filled in. (2) You are entitled to a completely filled-in copy of  
26 this agreement. (3) You can prepay the full amount due under this  
27 agreement at any time and obtain a partial refund of the finance  
28 charge if it is \$1 or more. (4) If you default in the performance of  
29 your obligations under this agreement, the vehicle may be  
30 repossessed and you may be subject to suit and liability for the  
31 unpaid indebtedness evidenced by this agreement."

32 (3) If the contract includes a finance charge which is  
33 determined on the simple-interest basis, the contract shall contain  
34 a notice, in at least 10-point boldface type if the contract is printed,  
35 reading as follows: "Notice to buyer: (1) Do not sign this  
36 agreement before you read it or if it contains any blank spaces to  
37 be filled in. (2) You are entitled to a completely filled-in copy of  
38 this agreement. (3) You can prepay the full amount due under this  
39 agreement at any time. (4) If you default in the performance of  
40 your obligations under this agreement, the vehicle may be

1 repossessed and you may be subject to suit and liability for the  
2 unpaid indebtedness evidenced by this agreement.”

3 (h) The contract shall contain a notice in at least 8-point  
4 boldface type, acknowledged by the buyer, that reads as follows:

5  
6 “If you have a complaint concerning this sale, you should try  
7 to resolve it with the seller.

8 Complaints concerning unfair or deceptive practices or methods  
9 by the seller may be referred to the city attorney, the district  
10 attorney, or an investigator for the Department of Motor Vehicles,  
11 or any combination thereof.

12 After this contract is signed, the seller may not change the  
13 financing or payment terms unless you agree in writing to the  
14 change. You do not have to agree to any change, and it is an unfair  
15 or deceptive practice for the seller to make a unilateral change.

16  
17 \_\_\_\_\_  
18 Buyer’s Signature”  
19

20 (i) (1) The contract shall contain an itemization of any  
21 insurance included as part of the amount financed disclosed  
22 pursuant to paragraph (3) of subdivision (a) and of any insurance  
23 included as part of the finance charge. The itemization shall  
24 identify the type of insurance coverage and the premium charged  
25 therefor, and, if the insurance expires before the date of the last  
26 scheduled installment included in the repayment schedule, the  
27 term of the insurance shall be stated.

28 (2) If any charge for insurance (~~other~~, *other* than for credit life  
29 or ~~disability~~) *disability*, is included in the contract balance and  
30 disbursement of any part thereof is to be made more than one year  
31 after the date of the conditional sale contract, any finance charge  
32 on the amount to be disbursed after one year shall be computed  
33 from the month the disbursement is to be made to the due date of  
34 the last installment under the conditional sale contract.

35 (j) (1) Except for contracts in which the finance charge or  
36 portion thereof is determined by the simple-interest basis and the  
37 amount financed disclosed pursuant to paragraph (8) of  
38 subdivision (a) is more than two thousand five hundred dollars  
39 (\$2,500), the dollar amount of the disclosed finance charge may  
40 not exceed the greater of:

(A) (i) One and one-half percent on so much of the unpaid balance as does not exceed two hundred twenty-five dollars (\$225),  $1\frac{1}{6}$  percent on so much of the unpaid balance in excess of two hundred twenty-five dollars (\$225) as does not exceed nine hundred dollars (\$900) and  $\frac{5}{6}$  of 1 percent on so much of the unpaid balance in excess of nine hundred dollars (\$900) as does not exceed two thousand five hundred dollars (\$2,500); or

(ii) One percent of the entire unpaid balance; multiplied in either case by the number of months (computed on the basis of a full month for any fractional month period in excess of 15 days) elapsing between the date of the contract and the due date of the last installment; or

(B) If the finance charge is determined by the precomputed basis, twenty-five dollars (\$25); or

(C) If the finance charge or a portion thereof is determined by the simple-interest basis:

(i) Twenty-five dollars (\$25) if the unpaid balance does not exceed one thousand dollars (\$1,000).

(ii) Fifty dollars (\$50) if the unpaid balance exceeds one thousand dollars (\$1,000) but does not exceed two thousand dollars (\$2,000).

(iii) Seventy-five dollars (\$75) if the unpaid balance exceeds two thousand dollars (\$2,000).

(2) The holder of the contract may not charge, collect, or receive a finance charge which exceeds the disclosed finance charge, except to the extent (A) caused by the holder's receipt of one or more payments under a contract which provides for determination of the finance charge or a portion thereof on the 365-day basis at a time or times other than as originally scheduled whether or not the parties enter into an agreement pursuant to Section 2982.3, (B) permitted by paragraph (2), (3), or (4) of subdivision (c) of Section 226.17 of Regulation Z, or (C) permitted by subdivisions (a) and (c) of Section 2982.8.

(3) If the finance charge or a portion thereof is determined by the simple-interest basis and the amount of the unpaid balance exceeds five thousand dollars (\$5,000), the holder of the contract may, in lieu of its right to a minimum finance charge under subparagraph (C) of paragraph (1), charge, receive, or collect on the date of the contract an administrative finance charge not to exceed seventy-five dollars (\$75), provided that the sum of the



1 administrative finance charge and the portion of the finance charge  
2 determined by the simple-interest basis shall not exceed the  
3 maximum total finance charge permitted by subparagraph (A) of  
4 paragraph (1). Any administrative finance charge which is  
5 charged, received, or collected by a holder shall be deemed a  
6 finance charge earned on the date of the contract.

7 (4) If a contract provides for unequal or irregular payments, or  
8 payments on other than a monthly basis, the maximum finance  
9 charge shall be at the effective rate provided for in paragraph (1),  
10 having due regard for the schedule of installments.

11 (k) The contract may provide that for each installment in  
12 default for a period of not less than 10 days the buyer shall pay a  
13 delinquency charge in an amount not to exceed in the aggregate 5  
14 percent of the delinquent installment, which amount may be  
15 collected only once on any installment regardless of the period  
16 during which it remains in default. Payments timely received by  
17 the seller under an extension or deferral agreement may not be  
18 subject to a delinquency charge unless the charge is permitted by  
19 Section 2982.3. The contract may provide for reasonable  
20 collection costs and fees in the event of delinquency.

21 (l) Notwithstanding any provision of a contract to the contrary,  
22 the buyer may pay at any time before maturity the entire  
23 indebtedness evidenced by the contract without penalty. In the  
24 event of prepayment in full:

25 (1) If the finance charge was determined on the precomputed  
26 basis, the amount required to prepay the contract shall be the  
27 outstanding contract balance as of that date, provided, however,  
28 that the buyer shall be entitled to a refund credit in the amount of  
29 the unearned portion of the finance charge, except as provided in  
30 paragraphs (3) and (4). The amount of the unearned portion of the  
31 finance charge shall be at least as great a proportion of the finance  
32 charge, including any additional finance charge imposed pursuant  
33 to Section 2982.8 or other additional charge imposed because the  
34 contract has been extended, deferred, or refinanced, as the sum of  
35 the periodic monthly time balances payable more than 15 days  
36 after the date of prepayment bears to the sum of all the periodic  
37 monthly time balances under the schedule of installments in the  
38 contract or, if the contract has been extended, deferred, or  
39 refinanced, as so extended, deferred, or refinanced. If the amount  
40 of the refund credit is less than one dollar (\$1), no refund credit



1 need be made by the holder. Any refund credit may be made in cash  
2 or credited to the outstanding obligations of the buyer under the  
3 contract.

4 (2) If the finance charge or a portion thereof was determined on  
5 the simple-interest basis, the amount required to prepay the  
6 contract shall be the outstanding contract balance as of that date,  
7 including any earned finance charges which are unpaid as of that  
8 date and, if applicable, the amount provided in paragraph (3), and  
9 provided further that in cases where a finance charge is determined  
10 on the 360-day basis, the payments theretofore received will be  
11 assumed to have been received on their respective due dates  
12 regardless of the actual dates on which the payments were  
13 received.

14 (3) Where the minimum finance charge provided by  
15 subparagraph (B) or subparagraph (C) of paragraph (1) of  
16 subdivision (j), if either is applicable, is greater than the earned  
17 finance charge as of the date of prepayment, the holder shall be  
18 additionally entitled to the difference.

19 (4) The provisions of this subdivision may not impair the right  
20 of the seller or the seller's assignee to receive delinquency charges  
21 on delinquent installments and reasonable costs and fees as  
22 provided in subdivision (k) or extension or deferral agreement  
23 charges as provided in Section 2982.3.

24 (5) Notwithstanding any provision of a contract to the contrary,  
25 whenever the indebtedness created by any contract is satisfied  
26 prior to its maturity through surrender of the motor vehicle,  
27 repossession of the motor vehicle, redemption of the motor vehicle  
28 after repossession, or any judgment, the outstanding obligation of  
29 the buyer shall be determined as provided in paragraph (1) or (2).  
30 Notwithstanding, the buyer's outstanding obligation shall be  
31 computed by the holder as of the date the holder recovers the value  
32 of the motor vehicle through disposition thereof or judgment is  
33 entered or, if the holder elects to keep the motor vehicle in  
34 satisfaction of the buyer's indebtedness, as of the date the holder  
35 takes possession of the motor vehicle.

36 (m) Notwithstanding any other provision of this chapter to the  
37 contrary, any information required to be disclosed in a conditional  
38 sale contract under this chapter may be disclosed in any manner,  
39 method, or terminology required or permitted under Regulation Z,  
40 as in effect at the time that disclosure is made, except that permitted

1 by paragraph (2) of subdivision (c) of Section 226.18 of  
2 Regulation Z, provided that all of the requirements and limitations  
3 set forth in subdivision (a) of this section are satisfied. This chapter  
4 does not prohibit the disclosure in that contract of additional  
5 information required or permitted under Regulation Z, as in effect  
6 at the time that disclosure is made.

7 (n) If the seller imposes a fee for document preparation, the  
8 contract shall contain a disclosure that the fee is not a  
9 governmental fee.

10 (o) A seller may not impose an application fee for a transaction  
11 governed by this chapter.

12 (p) The seller or holder may charge and collect a fee not to  
13 exceed fifteen dollars (\$15) for the return by a depository  
14 institution of a dishonored check, negotiated order of withdrawal,  
15 or share draft issued in connection with the contract, if the contract  
16 so provides or if the contract contains a generalized statement that  
17 the buyer may be liable for collection costs incurred in connection  
18 with the contract.

19 (q) The contract shall disclose on its face, by printing the word  
20 “new” or “used” within a box outlined in red, that is not smaller  
21 than one-half inch high and one-half inch wide, whether the  
22 vehicle is sold as a new vehicle, as defined in Section 430 of the  
23 Vehicle Code, or a used vehicle, as defined in Section 665 of the  
24 Vehicle Code.

25 (r) The contract shall contain a notice with a heading in at least  
26 12-point bold type and the text in at least 10-point bold type,  
27 circumscribed by a line, immediately above the contract signature  
28 line, that reads as follows:

30  
31 **THERE IS NO COOLING OFF PERIOD**

32  
33 California law does not provide for a “cooling off” or other  
34 cancellation period for vehicle sales. Therefore, you cannot later cancel  
35 this contract simply because you change your mind, decide the vehicle  
36 costs too much, or wish you had acquired a different vehicle. After you  
37 sign below, you may only cancel this contract with the agreement of the  
38 seller or for legal cause, such as fraud.  
39  
40

SEC. 2. Section 2982.5 of the Civil Code is amended to read:

~~2982.5. (a) Nothing contained in this chapter shall be deemed~~

2982.5. (a) *This chapter may not be deemed to affect a loan, or the security therefor, between a purchaser of a motor vehicle and a supervised financial organization, other than the seller of the motor vehicle, all or a portion of which loan is used in connection with the purchase of a motor vehicle. As used in this chapter, “supervised financial organization” means a person organized, chartered, or holding a license or authorization certificate under a law of this state or the United States to make loans and subject to supervision by an official or agency of this state or the United States.*

~~(b) Nothing in this chapter shall be deemed to prohibit the~~

(b) *This chapter may not be deemed to prohibit the seller’s assisting the buyer in obtaining a loan upon any security from any third party to be used as a part or all of the downpayment or any other payment on a conditional sale contract or purchase order; provided that the conditional sale contract sets forth on its face the amount of the loan, the finance charge, the total thereof, the number of installments scheduled to repay the loan and the amount of each installment, that the buyer may be required to pledge security for the loan, which security shall be mutually agreed to by the buyer and the lender and notice to the buyer in at least eight-point type that he or she is obligated for the installment payments on both the conditional sale contract and the loan. The seller may not provide any security or other guarantee of payment on the loan, nor shall the seller receive any commission or other remuneration for assisting the buyer to obtain the loan. If the buyer obligates himself or herself to purchase, or receives possession of, the motor vehicle prior to securing the loan, and if the buyer upon appropriate application for the loan is unable to secure the loan, on the conditions stated in the conditional sale contract, the conditional sale contract or purchase order shall be deemed rescinded and all consideration thereupon shall be returned by the respective parties without demand.*

(c) *The proceeds of any loan payable to the seller after the date of the contract but prior to the due date of the second payment otherwise scheduled thereunder may not be subject to a finance charge and the amount thereof shall be disclosed pursuant to*

1 subparagraph (D) of paragraph (6) of subdivision (a) of Section  
2 2982.

3 (d) This chapter may not be deemed to prohibit the seller's  
4 assisting the buyer in obtaining a loan from any third party to be  
5 used to pay for the full purchase price, or any part thereof, of a  
6 motor vehicle, if each of the following provisions applies:

7 (1) The loan may be upon any security, but except as provided  
8 in paragraph (2), the loan may not be secured in whole or in part  
9 by a lien on real property. Any lien on real property taken in  
10 violation of this section shall be void and unenforceable.

11 (2) A lien on real property may be taken to secure a loan of  
12 seven thousand five hundred dollars (\$7,500) or more used to pay  
13 the full purchase price, or any part thereof, of a recreational  
14 vehicle, as defined in Section 18010 of the Health and Safety  
15 Code, which is not less than 20 feet in length.

16 (3) The provisions of Sections 2983.2, 2983.3, and 2984.4  
17 shall apply to the loan, but may not authorize the lender or the  
18 lender's successor in interest to charge for any costs, fees, or  
19 expenses or to obtain any other benefit which the lender is  
20 prohibited from charging or obtaining under any regulatory law  
21 applicable to the lender. Notwithstanding this paragraph, the  
22 provisions of Sections 2983.2 and 2983.3 may not apply to a loan  
23 made by a lender licensed under Division 9 (commencing with  
24 Section 22000) or Division 10 (commencing with Section 24000)  
25 of the Financial Code.

26 (4) The lender or the lender's successor in interest shall be  
27 subject to all claims and defenses which the buyer could assert  
28 against the seller, but liability may not exceed the amount of the  
29 loan.

30 (5) If the buyer becomes obligated to purchase, or receives  
31 possession of, the motor vehicle prior to obtaining the loan, the  
32 agreement between the buyer and the seller shall set forth on its  
33 face the amount of the loan, the finance charge, the total thereof,  
34 the number of installments scheduled to repay the loan and the  
35 amount of each installment, that the buyer may be required to  
36 pledge security for the loan, which security must be mutually  
37 agreed to by the buyer and the lender, and notice to the buyer in at  
38 least eight-point type that the buyer is obligated for the installment  
39 payments on the loan and for any payments which may be due on  
40 the agreement between the buyer and the seller. The seller may not



1 provide any security or other guarantee of payment on the loan,  
2 and the seller may not receive any commission or other  
3 remuneration for assisting the buyer to obtain the loan. If the buyer  
4 upon proper application for the loan is unable to obtain the loan,  
5 on the condition stated in the agreement between the buyer and the  
6 seller, the agreement shall be deemed rescinded and all  
7 consideration thereupon shall be returned by the respective parties  
8 without demand.

9 (6) Any waiver by the buyer of the provisions of this section  
10 shall be void and unenforceable.

11 This subdivision does not apply to state or federally chartered  
12 banks and savings and loan associations and may not be construed  
13 to affect existing law regarding a seller's assisting a buyer to obtain  
14 a loan from a bank or savings and loan association or any loan  
15 obtained by the buyer from those lenders.

16 SEC. 3. Section 2985.8 of the Civil Code is amended to read:

17 2985.8. (a) Every lease contract shall be in writing and the  
18 print portion of the contract shall be printed in at least eight-point  
19 type and shall contain in a single document all of the agreements  
20 of the lessor and lessee with respect to the obligations of each party.

21 (b) At the top of the lease contract, a title which contains the  
22 words "LEASE CONTRACT" or "LEASE AGREEMENT"  
23 shall appear in at least 12-point bold type.

24 (c) Every lease contract shall disclose all of the following:

25 (1) All of the information prescribed by Regulation M set forth  
26 in the manner required or permitted by Regulation M, whether or  
27 not Regulation M applies to the transaction.

28 (2) A separate statement labeled "Itemization of Gross  
29 Capitalized Cost" that shall appear immediately following or  
30 directly adjacent to the disclosures required to be segregated by  
31 Regulation M. The Itemization of Gross Capitalized Cost shall  
32 include all of the following and shall be circumscribed by a line:

33 (A) The agreed-upon value of the vehicle as equipped at the  
34 time of signing the lease.

35 (B) The agreed-upon value and a description of each accessory  
36 and item of optional equipment the lessor agrees to add to the  
37 vehicle after signing the lease.

38 (C) The premium for each policy of insurance.

39 (D) The amount charged for each service contract.

40 (E) Any charge for an optional debt cancellation agreement.

1 (F) Any outstanding prior credit or lease balance.

2 ~~(G) The amount of any optional business partnership~~  
3 ~~automation program fee to register or transfer the vehicle.~~

4 (H) An itemization by type and agreed-upon value of each  
5 good or service included in the gross capitalized cost other than  
6 those items included in the disclosures required in subparagraphs  
7 (A) to (G), inclusive.

8 (3) The vehicle identification number of the leased vehicle.

9 (4) A brief description of each vehicle or other property being  
10 traded in and the agreed-upon value thereof if the amount due at  
11 the time of signing the lease or upon delivery is paid in whole or  
12 in part with a net trade-in allowance or the “Itemization of Gross  
13 Capitalized Cost” includes any portion of the outstanding prior  
14 credit or lease balance from the trade-in property.

15 (5) The fee, if any, to be retained by the lessor for document  
16 preparation, which fee may not exceed forty-five dollars (\$45) and  
17 may not be represented as a governmental fee.

18 *(6) The amount of any optional business partnership*  
19 *automation program fee to register or transfer the vehicle, which*  
20 *shall be labeled “Optional DMV Electronic Filing Fee.”*

21 (d) Every lease contract shall contain, in at least eight-point  
22 bold type, above the space provided for the lessee’s signature and  
23 circumscribed by a line, the following notice: “(1) Do not sign this  
24 lease before you read it or if it contains any blank spaces to be filled  
25 in; (2) You are entitled to a completely filled in copy of this lease;  
26 (3) Warning—Unless a charge is included in this lease for public  
27 liability or property damage insurance, payment for that coverage  
28 is not provided by this lease.”

29 (e) Every lease contract shall contain, in at least eight-point  
30 bold type, on the first page of the contract and circumscribed by  
31 a line, the following notice:

32  
33 “THERE IS NO COOLING OFF PERIOD

34  
35 California law does not provide for a “cooling off” or other  
36 cancellation period for vehicle leases. Therefore, you cannot later  
37 cancel this lease simply because you change your mind, decided  
38 the vehicle costs too much, or wish you had acquired a different  
39 vehicle. You may cancel this lease only with the agreement of the

1 lessor or for legal cause, such as fraud.”

2  
3 (f) Every lease contract shall contain, in at least eight-point  
4 bold type, the following notice: “You have the right to return the  
5 vehicle, and receive a refund of any payments made if the credit  
6 application is not approved, unless nonapproval results from an  
7 incomplete application or from incorrect information provided by  
8 you.”

9 (g) The lease contract shall be signed by the lessor and lessee,  
10 or their authorized representatives, and an exact copy of the fully  
11 executed lease contract shall be provided to the lessee at the time  
12 of signing.

13 (h) No motor vehicle shall be delivered under a lease contract  
14 subject to this chapter until the lessor provides to the lessee a fully  
15 executed copy of the lease contract.

16 (i) The lessor may not obtain the signature of the lessee to a  
17 contract when it contains blank spaces to be filled in after it has  
18 been signed.

19 (j) If the lease contract contains a provision that holds the lessee  
20 liable for the difference between (1) the adjusted capitalized cost  
21 disclosed in the lease contract reduced by the amounts described  
22 in subparagraph (A) of paragraph (5) of subdivision (b) of Section  
23 2987 and (2) the settlement proceeds of the lessee’s required  
24 insurance and deductible in the event of theft or damage to the  
25 vehicle that results in a total loss, the lease contract shall contain  
26 the following notice in at least eight-point boldface type on the first  
27 page of the contract:

28  
29 “GAP LIABILITY NOTICE

30  
31 In the event of theft or damage to the vehicle that results in a total  
32 loss, there may be a GAP between the amount due upon early  
33 termination and the proceeds of your insurance settlement and  
34 deductible. **THIS LEASE PROVIDES THAT YOU ARE**  
35 **LIABLE FOR THE GAP AMOUNT.** Optional coverage for the  
36 GAP amount may be offered for an additional price.”  
37

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